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SENATE

{ REPORT
No. 164

ALLOWING THE CONSUMER OF GASOLINE TO DEDUCT, FOR INCOME-TAX PURPOSES, STATE TAXES ON GASOLINE IMPOSED ON THE WHOLESALE AND PASSED ON TO THE CONSUMER

MARCH 13 (legislative day, MARCH 12), 1951.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 136]

The Committee on Finance, to whom was referred the bill (H. R. 136) allowing the consumer of gasoline to deduct, for income-tax purposes, State taxes on gasoline imposed on the wholesaler and passed on to the consumer, having considered the same, report favorably thereon with amendment and recommend that the bill do pass.

The amendment is as follows:

On page 2, line 15, strike out "December 31, 1949." and insert in lieu thereof "December 31, 1950."

GENERAL STATEMENT

The purpose of this bill is to allow consumers of gasoline to deduct, for income-tax purposes, State taxes on gasoline or other motor-vehicle fuels imposed on wholesalers and passed on to consumers.

Since 1942, section 23 (c) (3) of the Internal Revenue Code has permitted consumers to deduct State gasoline and other motor-vehicle fuel taxes if such taxes are imposed at the retail level, the amount of the taxes is separately stated and is measured by the gross sales price or the gross receipts from sales or as a stated sum per unit of gasoline or fuel sold and they are in fact paid by the consumer.

In most States these taxes are imposed on either retailers or consumers and are deductible by consumers. In a few States, however, these taxes are not levied at the retail or consumer level but at the wholesale level and, therefore, are not deductible by consumers. Your committee believes that deductions for income-tax purposes should be permitted in both cases.

The committee amendment makes the provisions of this bill applicable to taxable years beginning after December 31, 1950.

The Treasury Department has no objection to the enactment of this measure.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

SECTION 23 (C) (3) OF THE INTERNAL REVENUE CODE

(3) *GASOLINE AND RETAIL SALES* **[TAX] TAXES.**—In the case of a tax imposed by any State, Territory, District or possession of the United States, or any political subdivision thereof, upon persons engaged in selling tangible personal property at retail, *or upon persons selling gasoline or other motor vehicle fuels either at wholesale or retail*, which is measured by the gross sales price or the gross receipts from the sale or which is a stated sum per unit of such property sold, or upon persons engaged in furnishing services at retail, which is measured by the gross receipts for furnishing such services, if the amount of such tax is separately stated, then to the extent that the amount so stated is paid by the **[purchaser]** *consumer* (otherwise than in connection with the **[purchaser's]** *consumer's* trade or business) to **[such person]** *his vendor* such amount shall be allowed as a deduction in computing the net income of such **[purchaser]** *consumer* as if such amount constituted a tax imposed upon and paid by such **[purchaser]** *consumer*.